

Committee on Resources

Testimony

Subcommittee on Water and Power

Thursday, September 11, 1997

1334 Longworth HOB, 2:00 P.M.

STATEMENT OF
Larry Libeu, Committee Chair
of the
National Water Resources Association
Water Resources Management Committee
before the
Subcommittee on Water and Power Resources
Committee on Resources
on
H.R. 2398
Legislation to reauthorize the Small Reclamation Loan Program

Mr. Chairman and Members of the Subcommittee:

I am Larry Libeu, Assistant General Manager for the Eastern Municipal Water District(EMWD) in San Jacinto, California. I am also Chair of the National Water Resources Association Committee on Water Resources Management. EMWD was formed in 1950 under California statutes as a municipal water district and joined as a Member Agency of the Metropolitan Water District of Southern California a year later to augment its local supplies with recently available imported water. The EMWD service area is 542 square miles and has a population that total approximately 480,000. The District is a past and present participant in the Bureau of Reclamation's Small Reclamation Loan Program(SRPA).

The National Water Resources Association (NWRA) is a nonprofit federation of state associations and individuals dedicated to the conservation, enhancement, and efficient management of our Nation's most precious natural resource, WATER. The NWRA is the oldest and most active national association concerned with water resource policy and development. Its strength is a reflection of the tremendous "grassroots" participation it has generated on virtually every national issue affecting western water conservation, management, and development.

The Western Coalition of Arid States (WESTCAS) is a coalition of over 100 cities and towns, wastewater agencies, water districts, and professional associations in the States of Arizona, California, Colorado, Nevada, New Mexico and Texas. WESTCAS is dedicated to environmentally conscientious planning of water resources and development of water quality standards for the unique ecosystem of the arid West.

The following testimony is presented to assist the Subcommittee in its efforts and decisions on how to proceed with the Bureau of Reclamation's Small Reclamation Loan Program in light of the introduction of H.R. 2398 by Representative Calvert. From the outset, let me state that EMWD, NWRA and WESTCAS support

H.R. 2398 as introduced.

BACKGROUND HISTORY OF SRPA

The Small Reclamation Projects Act of 1956, as amended, established a program under which certain types of organizations, including the Native American community, located in the 17 contiguous Western States and Hawaii can obtain loans for development of small reclamation projects and grants for those portions of the projects that are nonreimbursable as a matter of national policy. Historically these were multipurpose projects that included commercial irrigation as one of the purposes, along with municipal and industrial water supply, commercial power, flood control, fish and wildlife enhancement or outdoor recreation. Loan funds could also be used for water quality control features where conservation and subsequent reuse is a primary project objective.

Congress last reviewed and reauthorized this program in 1986 (P.L. 99-546) in part because the original \$600 million cost-ceiling for the program had been used up. Important changes were made at that time, including financial and environmental changes, that culminated in the legislation being supported by the Administration, the water community and the national environmental community. We view the changes as proposed in H.R. 2398 as further improvements in those respective areas.

Currently there are eight (8) projects under construction or close to completion in Arizona, California, Colorado, Oregon, and soon in Utah. Under the existing law, aside from the program benefits listed above, there are secondary benefits such as the ability to construct major facilities in five years or less to help address long term problems in short time frames.

The program also provides small rural and Native American agencies the ability to obtain funding for project development which would not be available from the private sector. The program also provides the opportunity to undertake technology transfer, such as the development of multipurpose constructed wetlands for water treatment, wildlife enhancement and groundwater replenishment. We believe this program has provided the appropriate partnerships that need to exist between the Federal and State government and local agencies if we are going to continue to address Western water problems in an appropriate manner.

Mr. Chairman, let me briefly give you an example of the type of project that has been undertaken under the SRPA program since the last reauthorization bill in 1986. The Eastern Municipal Water District has a \$46 million Small Reclamation Loan Program project in the final year of construction. When completed in 1997, the project will provide reclaimed water for increased groundwater recharge and environmental enhancement of nearly 300 acres as well as provide reclaimed water to over 21,500 acres of irrigated land and recreation, thus preserving treated potable water that would have been used without the system we're constructing.

That recycled reclaimed water will also provide other important joint and conjunctive use benefits such as establishment of recreational parks and greenbelt, enhancement of wetlands, wildlife habitat, and the recharge of surplus reclaimed water into underground aquifers to improve water quality and for future drought(banking) management. This secondary water supply will, through exchange and replacement agreements, free-up limited primary water supplies in order to meet the fast-growing domestic and municipal and industrial demands in Southern California.

EMWD, WESTCAS and NWRA believe the changes to the program that are reflected in H.R. 2398 continue the progressive approach to meeting the contemporary water needs of the West through the

supplementary changes to the SRPA Program.

WHY THESE CHANGES ARE NECESSARY AND BENEFICIAL

An unusual occurrence took place on the way to having a useful tool that would help solve Western water problems. Congress reauthorized the program in 1986, but it wasn't until 5 years later that a project emerged from the bureaucracy to use the new \$600 million authority for the program. As we previously indicated, there are eight projects under construction with two more awaiting paper processing. It has been an uphill fight to get these projects going, having little or nothing to do with the quality of the projects, but rather larger issues on fiscal implications and future plans for the overall Reclamation program. We believe the projects speak for themselves in terms of quality.

No sooner were we able to get the program going, when the former Commissioner for the Bureau of Reclamation, Dan Beard, announced to more than two dozen districts that had filed their Notices of Intent that no more loans were going to be processed because they would not fit the guidelines which were yet to be developed. He indicated that a review of the program was needed and it needed to reflect the new mission for the Bureau of Reclamation that Commissioner Beard was putting in place.

EMWD, along with several of the project sponsors, through the NWRA Water Resources Management Committee, engaged in a partnership process with the Bureau of Reclamation to improve the program. Many of those ideas from that effort on our part are reflected in your legislation. As we were nearing the end of that process, the Bureau of Reclamation excused itself from that partnership effort. A month later the Secretary of the Interior announced the termination of the Small Reclamation Loan Program as part of his effort to downsize the Department of the Interior.

If the West is to address water supply and quality changes confronting it, and to necessary environmental improvements the Small Reclamation Loan Program is one of the best tools in the water resources tool chest to meet those challenges.

SPECIFIC COMMENTS ON H.R. 2398.

Mr. Chairman, we have reviewed the introduced legislation and would like to make the following specific comments:

- * H.R. 2398 recognizes and reflects the need to leverage the limited amount of Federal money that is available for water resources in this country. By working within the existing cost-ceiling for the program, and by limiting the amount of Federal exposure to no more than \$30 million under title one of the bill more work can be undertaken and more oversight can take place.
- * Though the Department of the Interior may no longer wish to be in the loan business, H.R. 2398 makes a very business like change in the repayment period. Existing law allows for repayment of a loan in forty years. H.R. 2398 would reduce that time down to 25 years and more likely we would see repayment contracts negotiated at 15 years.
- * Another example of the business-like approach taken in the legislation is the requirement of a minimum of twenty-five percent cost sharing and a maximum of 40 percent. We believe such an approach provides the necessary means test on whether a project proposal is worthy of the investment of scarce Federal dollars.

* H.R. 2398 also reflects the current philosophy in Congress that every program should be examined. We believe this legislation would only provide funding for about ten years. We support that approach. This would provide the opportunity for the program to come back to Congress, make the case that it should continue and see how well it has worked and whether additional changes are needed.

*Congress has been looking at the whole issue of regulatory review and how well the Federal bureaucracy works. This legislation would get rid of needless layers of bureaucracy, stipulate the time frame for Administrative decision making so a project applicant is not hung out to dry for years, with their problems getting worse while waiting for the Federal government to act on their idea.

We believe Title II of the legislation will provide the necessary innovative funding source that water districts often find themselves in need of small short term projects.

This title would establish a partnership program for water conservation, fish and wildlife enhancement, public safety, public outdoor recreation, environmental education, integrated resource planning, watershed management, research, and non structural flood control activities.

Having such a small amount of money available for such discreet, yet necessary public purposes, and the decisions hopefully being made down at the Regional Director level in partnership with the water user on what is needed, we believe, reflects the type of role that the Federal government should be playing in the West.

We also believe that such a program, through the relatively small revolving loan program that would be established, is the type of experimental policy innovation that should be taking place. We believe that rather than have the bureaucrats in Washington, D.C. wasting valuable time on such minor, yet user important matters, reflects the political realities of the 1990's.

Title III of the legislation provides for a new loan guarantee approach to be used in lieu of the funding approach in titles I and II. We recognize this title is blazing new trails in the area of financing water development in this country, but we believe it is an important tool that may well be the wave of the future.

The legislation authorizes the Secretary to use upto 10% of the ceiling of the program, approximately \$32 million to serve as the guarantee for water project work - work that is for the purposes described in titles I and II. Our understanding is that for purposes of scoring under the Budget Act, this \$32 million would be scored at a 10 to 1 ratio, thereby allowing approximately \$320 million worth of projects to be constructed.

We believe the information that is required to be provided by the sponsoring organization is sufficient enough for the Secretary to make a decision on proposals. We would like to stress that non of these guarantees would be available to be used by non-governmental entities, i.e. the private sector.

CONCLUSION

Some might ask the question, "Can't we do both - a loan guarantee and a regular SRPA program? ". At best Mr. Chairman, NWRA would suggest to you, that as a Member of the Western Water Policy Review Advisory Commission, you have the Commission staff review the idea of a loan guarantee and the broader implications on Western water issues and bring their review back to Congress as part of the Commissions final report.

We believe having the SRPA program continue and legislation pass this Congress as envisioned by H.R. 2398, is the most important and appropriate course to take at this time. As you can see from the list of notices of intent, there is interest out there, problems that need to be addressed and a belief that the SRPA program is one of the best vehicles to use to get us the water resources we need.

This program works. It is well known and has been widely used in the 17 Western states. It also acknowledges today's fiscal realities. It provides agencies large and small with a Federal program that addresses their infrastructure needs in a timely, cost-effective manner. H.R. 2398, if passed by this Congress, will carry us into the 21st century with the confidence that we, as public agencies, have been provided with the essential tools to manage our water resources.

On behalf of the membership of the National Water Resources Association, the Western Coalition of Arid States and the Board of Directors of the Eastern Municipal Water District, I thank the Chairman and the Subcommittee for the opportunity to address these important issues.

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